

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:)	
)	Chapter 11
KAL Freight, <i>et al.</i> ,)	
)	Case No. 24-90614 (CML)
Debtors. ¹)	
)	(Jointly Administered)

**PRELIMINARY OBJECTION OF VANGUARD NATIONAL TRAILER
CORPORATION AND CIMC REEFER TRAILER, INC. TO THE STIPULATION
AND ORDER FOR INTERIM RELIEF FROM THE AUTOMATIC STAY FOR
DAIMLER TRUCK FINANCIAL SERVICES**

Vanguard National Trailer Corporation and its affiliates (“**Vanguard**”) and CIMC Reefer Trailer, Inc. (“**CIMC**”) state as follows in support of this preliminary objection (the “**Objection**”) to entry of the *Stipulation and Order for Interim Relief from the Automatic Stay for Daimler Truck Financial Services* [Docket No. 425] (the “**Daimler Stipulation**”)² filed by the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”) in these chapter 11 cases (the “**Chapter 11 Cases**”). In support hereof, Vanguard and CIMC respectfully state as follows:

Preliminary Objection

1. Vanguard and CIMC manufacture and sell dry freight and refrigerated, semi-trailer vans and related parts. Since 2022, Vanguard and CIMC have been selling refrigerated and dry trailers and related equipment to Kal Trailers & Leasing Inc. (“**Kal Trailers**”) pursuant to certain purchase orders, invoices, and contracts (the “**Sale Agreements**”). The obligations of KAL Trailers to Vanguard and CIMC are guaranteed by Kal Freight Inc. (“**Kal Freight**,”

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification numbers, are: KAL Freight Inc. (0249); KAL Aviation LLC (2600); KAL Partz Inc. (0139); KAL Trailers & Leasing Inc. (0840); KALWAY Inc. (2466); and KVL Tires Inc. (0320). The location of the Debtors’ service address in these Chapter 11 Cases is 10156 Live Oak Ave., Fontana, CA 92335.

² Capitalized terms used but not otherwise defined herein have the same meanings ascribed to such terms in the Daimler Stipulation.

and together with Kal Trailers, the “**Kal Entities**”). In 2023 and 2024, the Kal Entities became significantly delinquent with respect to their payment obligations under the Sale Agreements. In June 2024, the Kal Entities and other guarantors entered into a Forbearance Agreement (the “**Forbearance Agreement**”) with Vanguard and CIMC. However, the Kal Entities have failed to fulfill their obligations under the Forbearance Agreement and owed Vanguard and CIMC approximately \$25 million when the Debtors commenced these Chapter 11 Cases.

2. On December 5, 2024 (the “**Petition Date**”), the Debtors filed, among other motions, *Debtors’ Emergency Motion of Entry of Interim and Final Orders (A) Providing Adequate Protection to Daimler Truck Financial Services USA Inc, (B) Modifying the Automatic Stay, (C) Scheduling a Final Hearing, and (D) Granting Related Relief* [Docket No. 8] (“**Daimler Adequate Protection Motion**”). The Daimler Adequate Protection Motion seeks, among other things, to provide Daimler with various adequate protection and broad stipulations (“**Daimler Adequate Protection Stipulations**”) that acknowledge, among other things, (1) the Debtors owe Daimler \$135 million secured under the Loan Documents, (2) Daimler has valid, binding, enforceable, and perfected security interests in and liens on Daimler’s collateral, and (3) the proposed adequate protection payments is equal to the diminution in the value of Daimler’s collateral.

3. On January 3, 2025, Vanguard and CIMC filed the *Omnibus Objection of Vanguard National Trailer Corporation and CIMC Reefer Trailer, Inc. to the Debtors’ Financing Motions* [Docket No. 292] (the “**Financing Motions Objection**”). Vanguard and CIMC filed the Financing Motions Objection to protect, among other things, their rights in connection with any disputes, including, without limitation, any disputes relating to the ownership of the trailers in the Debtors’ possession.³ The adequate protection package being

³ Vanguard and CIMC reserve all of their rights relating to the validity, extent and priority of any interests in the Vanguard and CIMC trailers, including any ownership interests.

offered to select creditors, including Daimler, is much more expansive than reasonable payment for the use of their purported collateral. The proposed adequate protections contain stipulations, such as the Daimler Adequate Protection Stipulations, that bind creditors after an inappropriately short “challenge period” as to the validity, extent, and priority of their purported prepetition liens.

4. On January 28, 2025, Daimler filed the *Emergency Motion for an Order Granting Daimler Truck Financial Services USA LLC Relief from the Automatic Stay and Related Relief* [Docket No. 411] (the “**Daimler Relief From Stay Motion**”). Daimler alleges that the Debtors have defaulted under the interim adequate protection order with Daimler by failing to properly insure Daimler’s collateral and by pledging liens on the Daimler Collateral to Triumph Financial Services, LLC. Daimler claims the Retained Collateral and the Performing Leased Collateral (each as defined in the Daimler Relief From Stay Motion) are worth tens of millions of dollars and the Debtors are supposed to insure these collateral. The insurance policy the Debtors obtained for the alleged collateral has a \$150,000 deductible per vehicle and a cap for a multi-casualty event of \$1,500,000. Daimler argues that the Debtors do not have enough cash to pay the self-insured portion of the coverage and the insurance cap is well below the value of the collateral. Daimler has urged the Debtors to immediately wind-down. Absent an immediate wind-down, Daimler seeks relief from stay to recover the collateral. The hearing for the Daimler Relief from Stay Motion is scheduled for February 11, 2025.

5. On the night of January 28, 2025, the Debtors filed the Daimler Stipulation. Under the Daimler Stipulation, the Debtors would return 50 units of Daimler’s alleged collateral that are currently not being used by the Debtors and in exchange the adequate protection payment would be reduced by \$180,162.06 to \$1,772,971.94 per month.

6. Vanguard and CIMC have had very limited time to review the Daimler Stipulation since it was filed late last night. It is not clear from the Daimler Stipulation if the Debtors intend to seek approval of the Daimler Stipulation at today's hearing. Nothing in the Daimler Stipulation should affect the rights, interests and arguments of Vanguard and CIMC set forth in the Financing Motions Objection. Nevertheless, out of abundance of caution, Vanguard and CIMC hereby reserve all of their rights, interests and claims in the Vanguard and CIMC trailers, including ownership interests, and, to the extent needed, incorporate by reference all arguments and rights set forth in the Financing Motions Objection.

7. Further, the Daimler Stipulation was filed on the eve of a hearing with no clear indication of when the Debtors will seek approval of the stipulation. Under Rule 4001 of the Federal Rules of Bankruptcy Procedure, the Debtors must provide 14 days' notice to parties in interest in connection with approval of an agreement to provide relief from the stay. Fed. R. Bankr. P. 4001(2). The Debtors have been routinely filing motions on an emergency basis and impairing parties' due process. Vanguard and CIMC reserve all rights with respect to the Daimler Stipulation.

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Dated: January 29, 2025
Los Angeles, California

/s/ Roberto Kampfner

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*Counsel to Vanguard National Trailer Corporation
and CIMC Reefer Trailer, Inc.*

CERTIFICATE OF SERVICE

I certify that on January 29, 2025, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Roberto Kampfner
Roberto Kampfner